



**Director of
Central
Intelligence**

~~Top Secret~~

National Intelligence Daily

***Tuesday
6 March 1979***

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Overnight Reports, printed on yellow paper as the final section of the *Daily*, will often contain materials that update the Situation Reports and Briefs and Comments.

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SITUATION REPORTS

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CHINA-VIETNAM-USSR

Vietnamese Comment

Hanoi has not yet responded directly to China's announcement yesterday of its intention to withdraw its forces from Vietnamese territory and its call for negotiations to settle outstanding differences. Shortly after the Chinese announcement, but not necessarily in

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[redacted]

direct response to it, Hanoi issued a general mobilization order, calling on the country to "defeat the war of aggression of the Chinese expansionists and hegemonists." The Vietnamese had earlier dismissed rumors of China's impending withdrawal as "fraudulent," claiming that China was seeking only to expand the conflict. They have also advised diplomatic dependents to evacuate Hanoi. [redacted]

Beijing's announcement confronts the Vietnamese leadership with an important decision. They could permit the Chinese to pull back with a minimum of opposition, thereby recovering lost territory and bringing about a curtailment of active fighting, while claiming a victory in their propaganda. If they decide, however, to harass or counterattack departing Chinese troops in order to make it appear the Chinese were leaving as a result of military pressure, they run the serious risk of prolonging and expanding an already costly conflict. [redacted]

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Soviet Comment

Soviet media initially branded the Chinese withdrawal announcement as false and propagandistic. TASS, in fact, claimed that the Chinese actually play to expand the war in northern Vietnam and are threatening Laos by moving troops, artillery, and armor to the border. [redacted]

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A later TASS commentary was less categorical. It noted that there were many conditions and reservations in the Chinese statement and that the next few days will show what the Chinese really mean. TASS said there was no evidence that the withdrawal had actually begun. [redacted]

Soviet Military Activity

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As many as three Soviet ships have entered the port of Da Nang, the first Soviet vessels to call at a Vietnamese port. The ships include an Alligator-class amphibious landing ship, an intelligence collection ship, and possibly a tanker. [redacted]

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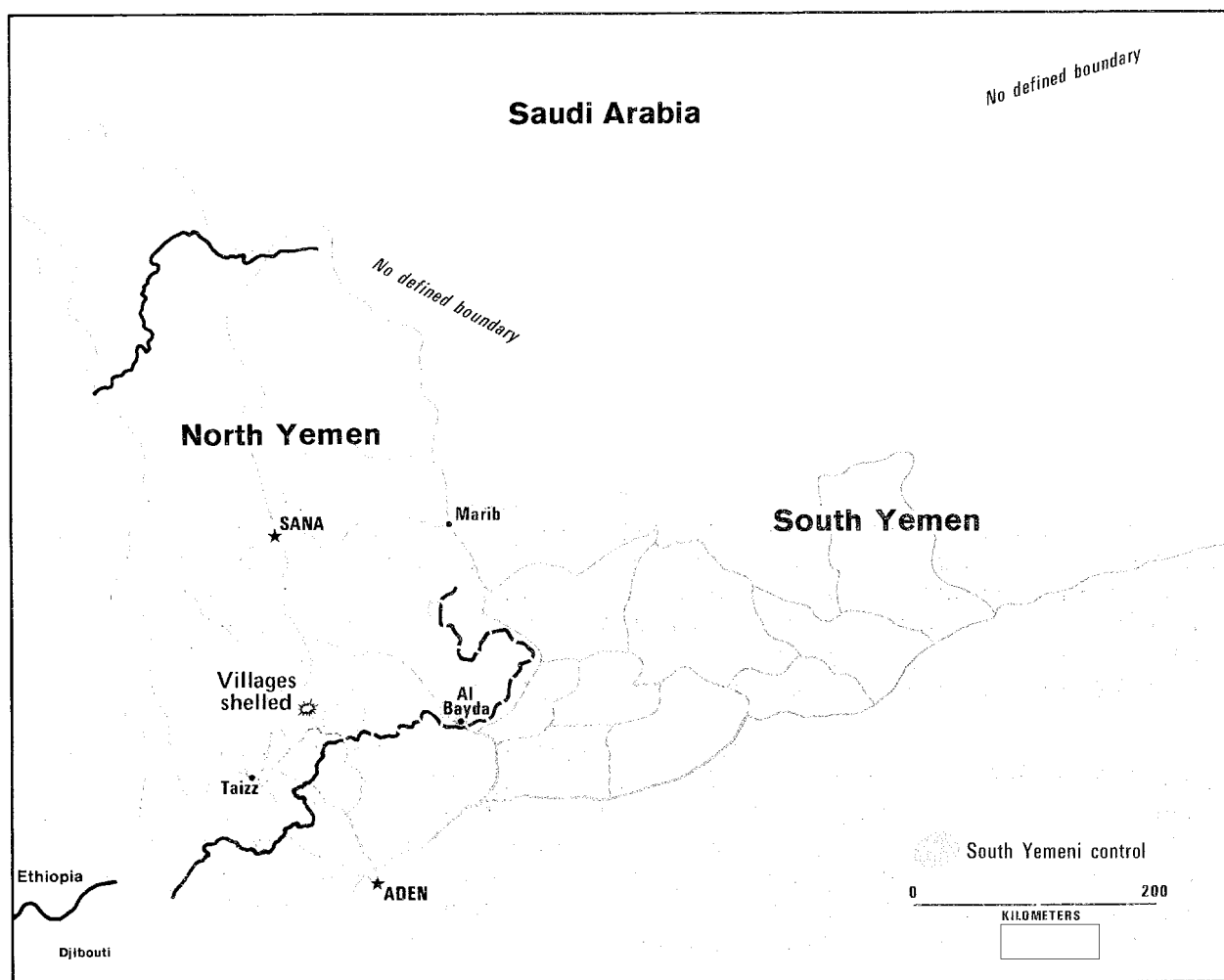


We have insufficient evidence to judge whether the growing Soviet naval presence in Vietnam presages the establishment of a permanent Soviet naval facility in the area. There have been persistent rumors that the Soviets are seeking a naval base in Vietnam, but we have seen no evidence that Hanoi has agreed to any such installation.

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NORTH YEMEN - SOUTH YEMEN

The Arab League's Foreign Ministers, meeting in Kuwait to resolve the Yemeni border conflict, today announced an agreement calling on the two sides to withdraw their armed forces within 10 days, to reopen the border, and to cease hostile broadcasts. The Foreign Ministers also created military and mediation committees to implement the agreement, proposed a North Yemen - South Yemen summit meeting, and asserted their opposition to third-party intervention in Yemeni affairs. [redacted]

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Before the Foreign Ministers' announcement, the US Embassy in Sana said it believed South Yemen is engaged in a calculated attempt to isolate the southern half of North Yemen. The Embassy estimated that the southern-backed forces could soon cut the Sana-Taizz road--thus effectively achieving their goal. North Yemeni officials were said to be particularly concerned about South Yemen's effective use of long-range artillery and rockets, which the northerners are unable to counter. [redacted]

Southern forces reportedly consolidated their positions yesterday and began rocket-shelling two villages about 20 to 25 kilometers from the Sana-Taizz road. If the villages were to fall, the South Yemeni forces would come within artillery range of the road. A military adviser to North Yemeni President Salih claimed yesterday that North Yemeni defenders were holding their own, and [redacted] reinforcements--regular troops or tribesmen--were being trucked toward these villages at mid-day. [redacted]

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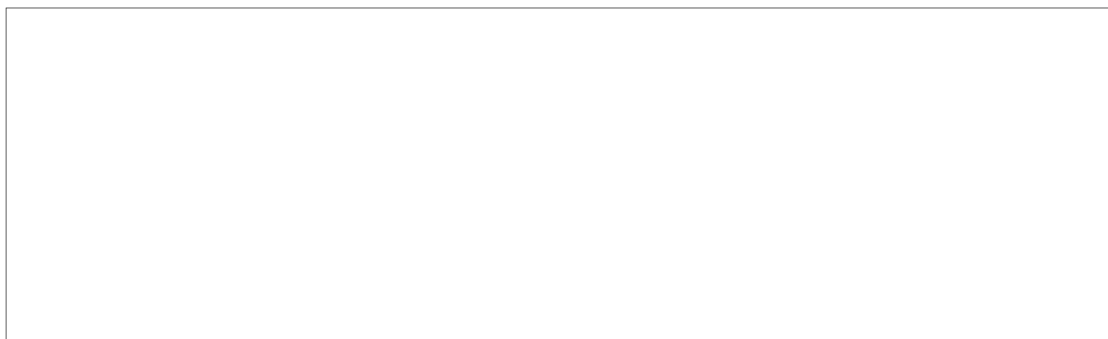
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Continuing military setbacks could lead to Salih's ouster. At present, it seems likely he would be succeeded by another conservative military officer, perhaps Chief of Staff Lt. Col. Ali Shayba or Brigade Commander Major Mohammad Sanabani. The Saudis would almost certainly have a major voice in naming a military successor; they may even decide to intervene militarily. [redacted] 25X1

Because Salih's removal would unleash strong political currents, it is possible that some leftist groups--perhaps including remnants of the pro-Libyan faction that attempted a coup last October or members of the Baath Party--could seize power. In that event, former leftist Prime Minister Muhsin al Ayni, now out of the country, might attempt a comeback. These groups would almost certainly be less friendly to the US than recent regimes in Sana; they probably would align the country closer to Aden. [redacted] 25X1

A third possibility is the assumption of power by tribal leader, Abdallah al Ahmar, paramount sheikh of the influential Hashid confederation who has long had designs on power. Mujahid Abu Shuwarib, who reputedly has leftist sympathies, is another ambitious tribal leader. [redacted] 25X1

North Yemeni officials still have been unable to provide hard evidence to support their claims that Cubans are fighting alongside South Yemeni - backed forces. [redacted] 25X1



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[REDACTED]
We believe that Havana--sensitive to charges of violating existing frontiers--would be wary about allowing its advisers to enter much beyond the border region, unless persuaded that Cuban specialists had a vital role to play. 25X1

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Ethiopian advisers may also be involved in the Yemen conflict. [REDACTED]

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[REDACTED]
[REDACTED] We have not noted a sizable deployment of Ethiopian forces to South Yemen, 25X1 but small numbers could have been air- or sea- lifted.

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IRAN:

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*Iran's first oil exports
in more than two months will not affect world prices or
company supply cutbacks.*

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The first Iranian crude oil to be exported since 25X1
26 December--about 2 million barrels--was taken by a
Japanese company yesterday. Initially, Iran will offer
small quantities for export at spot prices about \$5 to
\$6 above official OPEC posted prices. Exports are still
too insignificant to affect either world market prices
or company supply cutbacks. The National Iranian Oil
Company claims crude output has reached 1.6 million bar-
rels per day, up from 700,000 barrels per day in late
February. About 800,000 barrels per day are required
for domestic consumption.

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The government has indicated it will no longer mar-
ket crude through the consortium of 14 Western oil com-
panies that formerly lifted more than half of Iran's ex-
ports. The government, however, has not ruled out sales
to individual companies that are members of the consor-
tium.

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CHINA-VIETNAM: Offshore Boundaries

The Chinese-Vietnamese border war has disrupted Chinese petroleum exploration in disputed areas of the Gulf of Tonkin. China and Vietnam have never agreed on an offshore boundary

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China will hesitate to resume drilling very far offshore until the danger of hostile action against its drilling rigs has passed. In any post-war talks, the Chinese may press for a boundary agreement in the Gulf so petroleum operations can be resumed without the danger of Vietnamese or Soviet interference. Chinese differences with Japan and South Korea over continental shelf limits would complicate China's talks with Vietnam on that subject.

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CHAD: Fighting Resumes

The US Embassy in Ndjamena reports that forces loyal to Muslim Prime Minister Habre launched a major attack yesterday there against supporters of President Malloum. The renewed fighting is almost certainly in response to recent provocations instigated by Malloum. The resumption of hostilities undermines a two-week-old truce and may postpone, if not scuttle, the scheduled meeting in Nigeria tomorrow of representatives of Habre, Malloum, rebel leaders, and various mediators; the meeting is intended to lay the groundwork for a political settlement. The Nigerians may also reconsider plans to send a small peacekeeping force to Ndjamena. Chadian Army units loyal to Malloum continue to abandon garrisons and territory in the central and eastern parts of the country as they withdraw south to towns that can be more easily supplied and defended against advancing rebels. Rebel forces are threatening one government garrison only 70 kilometers from Ndjamena. France, which now has some 2,500 soldiers in Chad, is limiting its military involvement to advising the Chadian Army and maintaining order in major towns. Other French forces stationed in Gabon are said to be on standby alert for possible use in Chad should the situation continue to deteriorate.

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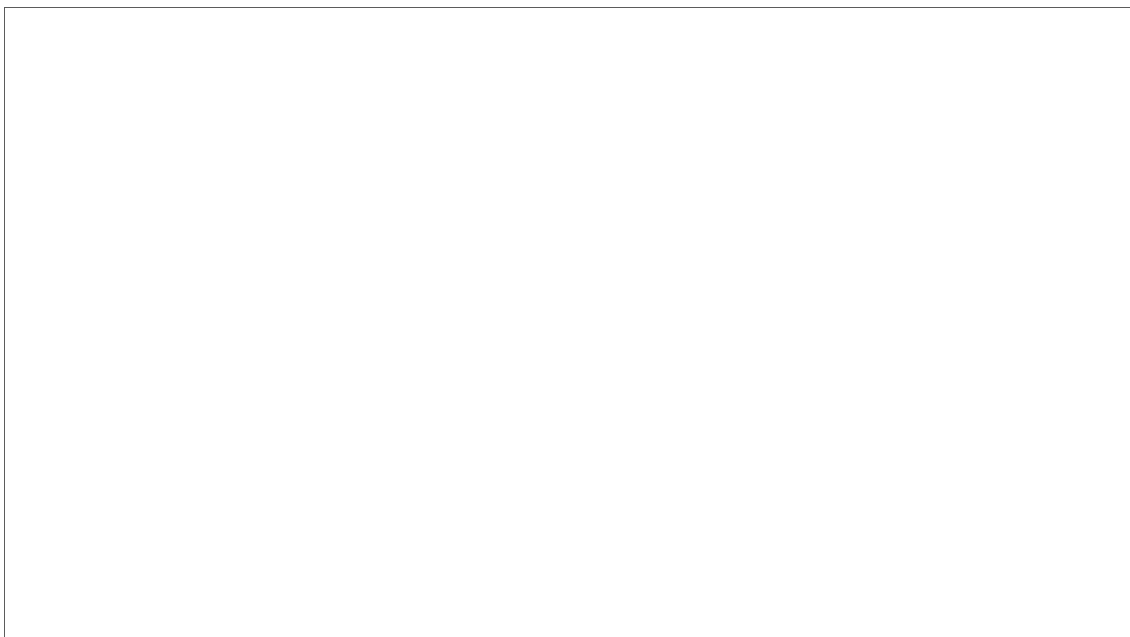
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SOUTH KOREA: Antigovernment Declaration

South Korean dissident leaders, including President Pak's longtime adversary Kim Tae-chung, issued a harsh antigovernment declaration on Sunday and announced the formation of a new front group to bring about the "restoration of democracy" in Korea. Although the declaration violates Pak's Emergency Measure 9 banning criticism of the government, the President's security services evidently have decided not to make any arrests at this time.

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Korea's university students are returning to the campuses this week and next; if they try to stage major demonstrations the government could be provoked into stronger countermeasures.

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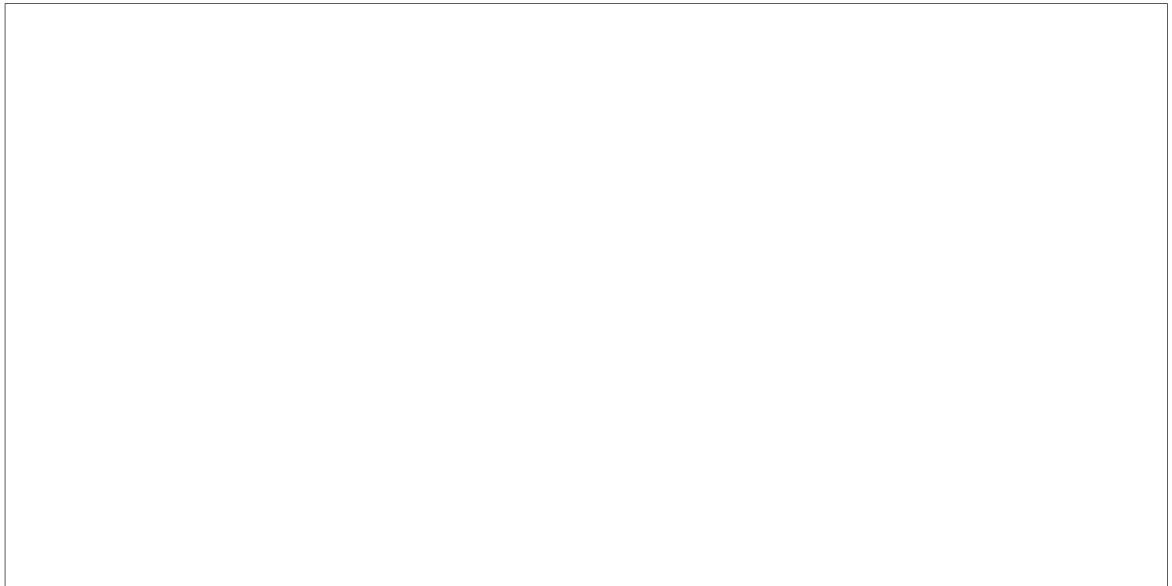
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NIGERIA: Politicking Intensifies

Serious political campaigning in anticipation of elections and a scheduled return to civilian rule in October has intensified in recent weeks resulting in some increase in political violence. The federal government has decreed stiff penalties for instigating violence. The regime does not now believe the transition is seriously threatened. 

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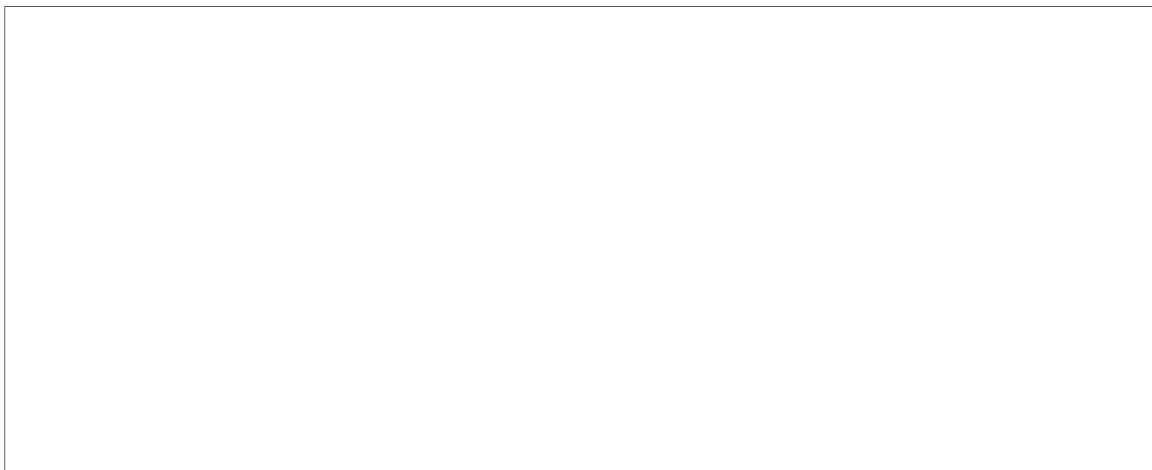
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SYRIA: New Armored Division

Recent photography suggests that Syria is converting one of the three infantry divisions normally stationed along the Golan Heights to an armored unit. This would be the first major change in the Syrian Army structure since the 1973 war and would take several months to complete. It is almost certainly a long-planned effort to increase the army's firepower and mobility rather than preparation for hostilities with Israel in the near future. The Syrians probably have dropped, at least for now, rumored plans for a new armored division--which would have strained the country's trained manpower base. The Syrians may also intend to upgrade their other two infantry divisions. 

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SPECIAL ANALYSIS

ITALY'S GOVERNMENT CRISIS: A Tentative Prognosis 25X1

Italy's political crisis has a long way to run, and any predictions of its outcome are necessarily speculative. Analysis of the power relationships between and within the principal parties, however, brings one point into sharp relief: there is little prospect that the Italian Communists can be denied a significantly larger and more direct governing role. This assessment rests on two key assumptions: that the Socialist Party will be unable to resolve the internal differences and other problems that prevent it from joining the Christian Democrats in a non-Communist government, and that the crisis is likely to lead to an election that will not appreciably alter relative party strengths.

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The Christian Democrats insist that the 1976 election gave them a mandate to keep the Communists out of government, and they show no sign of yielding to Communist demands for cabinet posts. Communist Chief Berlinguer remains convinced that to accept less would leave his party in the same politically exposed position it occupied under Prime Minister Andreotti, when the Communists were pledged to support the government in Parliament but had only a consultative role in policymaking. Only the Socialist Party could break this deadlock--by forming a majority with the Christian Democrats--but the Socialists are unwilling to do so if the Communists are left free to criticize from the opposition. These factors make an early election all but inevitable.

Election forecasting is particularly difficult in Italy, but most estimates, including Communist and Christian Democratic evaluations, have the Communist vote falling by a few points--but not below 30 percent--and the Christian Democratic tally rising slightly--but remaining around 40 percent. The prevailing view is that the Socialists would hold their own--9.6 percent in 1976--or gain slightly. Many Socialists, however, fear they might suffer a setback.

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It is unlikely that a combination drawn from the seven small parties--which include neofascist and left-ist extremist parties with which the Christian Democrats dare not ally--could give the Christian Democrats a majority without either Socialist or Communist support. [redacted]

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Thus, a new election will probably confirm the predominance of the two major parties, leaving the Christian Democrats with essentially the same options they have today. [redacted]

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Divided Socialists

The failure of the Socialists to establish their party as a reliable alternative to the Communist Party is at the heart of the problem. Even though they were allied with the Christian Democrats in the national government from 1963 to 1974, they have never been able to break clear of the Communists, with whom they now share power in local governments representing about half of Italy's population. To some extent, the ambivalence reflects a fear that too exclusive an association with either major party would lead to the Socialists' absorption. It also mirrors a deep split in the party between those who view the Communists as their natural allies and those who are willing to work with the Christian Democrats. [redacted]

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Socialist Chief Craxi is in the latter category. He seemed during the last year to be giving his party new vitality, primarily by rallying Socialists around the one theme on which they could all agree--Socialist "autonomy." He hoped that, given enough time, this policy would allow him to broaden the party's electoral appeal, distinguish it more clearly from the Communists, and lay the basis for renewed cooperation with the Christian Democrats. [redacted]

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The Communist move against the government, however, deprived Craxi of the time he needed. The divisions in the party have now resurfaced, and Craxi has been forced to adopt the sort of contradictory stance that has always

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undermined Socialist credibility--claiming Socialist "autonomy" on the one hand while asserting on the other that the Socialists cannot join any government from which the Communists are excluded. Berlinguer has thus already achieved one of his goals in bringing Andreotti down: he has demonstrated that the Socialists are still a weak reed for the Christian Democrats to lean on. []

Outlook

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The major choice the Christian Democrats face in the current maneuvering is whether to give enough now to avoid an election, thus conceding more to the Communists but perhaps gaining time for something to come to the rescue. Assuming they opt for an election and assuming it goes as seems likely, there are three possible outcomes to the current crisis:

- Communist entry into the government.
- A Communist return to the opposition.
- A compromise solution that denies the Communists cabinet seats but gives them a substantial and increased voice in policymaking and policy execution. []

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If the Christian Democrats retain their plurality in an election, they will almost certainly have done so by relying once again on a tough anti-Communist campaign. They are thus likely to emerge with the same dilemma they have today: in need of Communist cooperation but pledged to keep the Communists out of government. This dilemma is likely to be compounded by deep divisions in the Christian Democratic Party over how far to go in bargaining for Communist support. []

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It might appear that the Communists could simply force their way in, using the party's labor strength and its apparent ability to cause widespread economic disruption. The Communists, however, must be careful not to throw their weight around in ways that damage their image of responsibility--one of the main factors behind their broad appeal. []

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[redacted]

These constraints on the Christian Democrats and Communists are likely to give the smaller parties some leverage even if they perform poorly in an election. Thus, the election would not signal an end to political maneuvering. [redacted]

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The only result that would slice through all these complications--and bring the Communists immediately into the government--would be one that featured small party losses of such magnitude that the Christian Democrats had no arithmetical alternative to coalition with the Communists. That, however, would require a greater polarization of the electorate than seems likely at this point. [redacted]

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Political leaders thus will probably find themselves once again in search of a formula that allows the Communist Party to claim it is part of government while the Christian Democrats maintain it is not. It will be more difficult to find such a formula this year than in 1976, however, because the Communists have been convinced by experience that such midstream status poses too many political risks. [redacted]

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If Berlinguer again agrees to something less than cabinet seats, he will almost certainly insist on strict guarantees that Communist advice be solicited--and be verifiably heeded--on nearly all policies. Such a package might include "technician" ministers associated with the Communist Party, Communist membership on some sort of formal committee charged with managing economic policy, and a Christian Democratic agreement to form coalitions with the Communists in some key local governments. In short, Berlinguer would have to be able to say--convincingly--that he stood on the verge of cabinet status. [redacted]

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Despite their distaste for such an agreement, the Christian Democrats seem likely to see it as the least objectionable choice, because the only remaining option--allowing the Communist Party to go into opposition--would

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in all probability merely lead the Christian Democrats in a circle. They would have to turn for a majority to the Socialists, who would probably be more inclined to follow the Communists into opposition--leaving the Christian Democrats once again at Berlinguer's door.

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

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Angola-Namibia

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[redacted] The US Embassy in Gaborone reports it learned yesterday from the chief aide to Botswana's President Khama, who attended the frontline states' summit in Luanda over the weekend, that the subject of UN monitoring in Angola was the "most important and delicate" issue dealt with at the summit. In addition to Neto's opposition to a UN mission, the aide said that Khama and Zambian President Kaunda now regard their approval of such a mission as being for strictly civilian purposes, i.e. facilitating the return of Namibians across the border. The aide added that the frontline leaders did pledge to honor fully a cease-fire agreement; they found SWAPO leader Nujoma--a reluctant attendee--erratic in behavior, unwilling to face the prospect of elections in Namibia, and unclear as to how he would respond to the call for a cease-fire by UN Secretary General Waldheim. [redacted]

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Venezuela

The US Embassy in Caracas reports that Venezuelan oil production has averaged almost 2.4 million barrels per day for the past two weeks, fulfilling President Perez' assurances to US Ambassador Luers last month that production would be raised to its technical limit to meet the needs of Venezuela's traditional customers. The Embassy calculates that the production boost, combined with higher prices, will result in significantly higher oil revenues for Venezuela this quarter--possibly \$800 million to \$1 billion more than in the same period last year. It notes that the increased production has drawn political criticism in the form of suggestions that it damages the oil fields; some members of the Social Christian Party of President-elect Herrera, who assumes office next week, are among the critics. [redacted]

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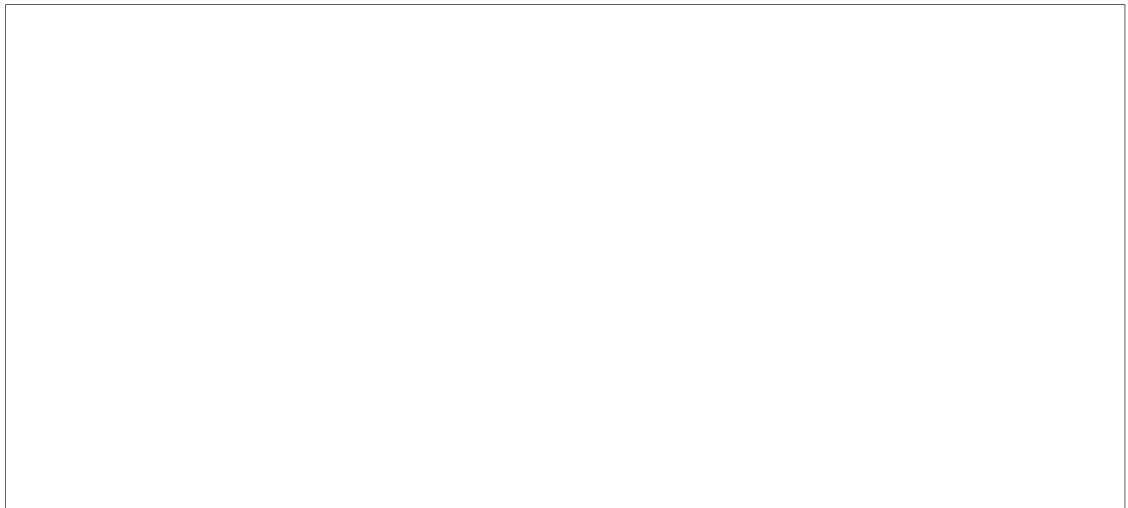
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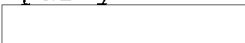
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Hungary-USSR

Hungarian party chief Kadar yesterday began a visit to the USSR. 

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